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REPORT TO THE CONGRESS 094026

Grants To Improve Bus Transit Systems – Progress And Problems

B-169491

Urban Mass Transportation Administration
Department of Transportation

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

094026

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COMPTROLLER GENERAL OF THE UNITED STATES
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C To the Speaker of the House of Representatives
and the President pro tempore of the Senate

This is our report entitled "Grants to Improve Bus Transit
Systems--Progress and Problems "

We made our review pursuant to the Budget and Accounting Act,
1921 (31 U S C 53), and the Accounting and Auditing Act of 1950
(31 U S C 67)

We are sending copies of this report to the Director, Office of
Management and Budget, and to the Secretary of Transportation

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James P. Axtell

Comptroller General
of the United States

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ABBREVIATIONS

UMTA	Urban Mass Transportation Administration
HUD	Department of Housing and Urban Development
GAO	General Accounting Office

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

D I G E S T

WHY THE REVIEW WAS MADE

To help meet metropolitan transportation needs, the Urban Mass Transportation Administration (UMTA) offers Federal grants to local authorities for developing transit systems. Capital grants to this end totaling \$2.4 billion were provided as of December 31, 1973.

Bus transit is an important aspect of urban mass transportation. Like other types of mass transit, bus systems have been jeopardized by increasing capital and operating costs and decreasing numbers of riders. UMTA had committed \$699 million to bus transit systems as of December 31, including \$360 million for the public takeover of private systems and for purchases of capital equipment to help maintain and improve those systems.

To obtain some idea of what has been done, GAO reviewed capital grants totaling \$87 million for local bus transit in four metropolitan areas:

--Atlanta, Georgia,

--Honolulu, Hawaii,

GRANTS TO IMPROVE BUS TRANSIT SYSTEMS--PROGRESS AND PROBLEMS
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--Minneapolis-St Paul, Minnesota, and

--Portland, Oregon

FINDINGS AND CONCLUSIONS

Growing operating deficits

Through the capital grant program, the public bodies in the four areas have progressed toward unified or coordinated transit systems, purchased new buses, facilities, and equipment, and made service improvements, without fare increases. However, these changes have contributed to sharp increases in operating deficits requiring substantial local subsidies from a variety of sources.

In recognition of the increasing difficulties experienced by public authorities in meeting their deficits in mass transit operations, legislation is pending in the 93d Congress under which local public systems would receive Federal aid in meeting their deficits. (See p. 4.)

Attracting new riders and the impact on traffic congestion and the urban environment

The four transit systems have been successful in reversing the long-term decline in ridership. Aggregate figures show an increase of about 20 million riders in 1973 over low points during the early 1970s.

A primary factor in the increase appears in three of the areas to have been due to reducing fares or allowing free rides. Other factors are improved and expanded service and greater promotional efforts. The exception is Portland where no single action appears to have contributed to the small increase. (See p. 6.)

Increases in riders have helped reduce traffic congestion, air pollution, and energy consumption. The reduction appears to be relatively small, however. (See pp. 7 and 13.)

General improvements in service

The four transit systems, with assistance of UMTA's grants, improved general bus services to the public through

- higher levels of service,
- new equipment and facilities,
- changes in fare structure, and
- better public communications

Some improvements were made in response to recommendations in the 5-year transit development plans required by UMTA. However, a number of improvements set forth in the plans were not implemented for various reasons, some of which were not within the control of the grantee organizations.

For example, the grantee in Portland increased the frequency of service on 29 routes. However, these changes included only 2 of the 35 service frequency changes in the approved transit development plan. The grantee has no definite plans for increasing service on the other 33 lines because cost estimates had shown that such increases would have resulted in substantial increases in the grantee's operating deficit. (See p. 9.)

Special services to transit dependents

Three of the four transit systems (except Honolulu) had made some progress in providing special service to transit dependents (persons not having access to alternative forms of transportation), but additional actions were needed, especially to serve riders whose physical limitations prevented the use of standard transit service.

Studies were needed to identify the number of such riders, the areas to be served, and the specific nature of their transit needs and to include proposed actions.

in the transit development plans
(See p. 12)

Strengthening role of
transit development plans

The transit development plans have not been of maximum usefulness in assuring UMTA that its capital grants would contribute effectively to program objectives and meet identified local transit needs, because grantees

--were not firmly committed to implementing the plans and

--deviated from the plans to varying degrees without systematically notifying UMTA.

UMTA did not require grantees to report periodically on the implementation of approved plans or to justify deviations or revisions

For example, in Atlanta, recommended improvements in service for two of four counties under the transit authority's jurisdiction had not been made because the counties did not approve a local tax to help finance improvements and operations. About 35 new buses estimated to cost \$1.4 million originally were targeted for use in the two counties. The transit authority decided that service in these counties would be continued only at the level before public takeover and that, because of increased bus needs and ridership, the 35 buses were to be used elsewhere.

Transit development plans also could realize greater usefulness if grant recipients would

--emphasize UMTA's specific objectives which individual transit systems should accomplish and

--provide for the time phasing of planned service improvements to facilitate measuring progress in making such improvements (See p. 17.)

Improving progress reporting

UMTA could use more effectively the quarterly progress reports required of the grantees by specifying that the reports assess their progress in implementing the transit development plans and in meeting UMTA's specific objectives. Also, the frequency of such reporting requirements could be reduced.

An informative and meaningful reporting system is important because staffing limitations do not permit UMTA extensive personal contacts with agencies receiving grants (See p. 21)

Collecting and exchanging
information on transit improvements

UMTA's Office of Transit Management, formed in September 1973, was charged with developing methods to assist in modernizing and improving transit

operations and management systems and to assemble, maintain, and disseminate results of UMTA projects. As of April 1974, the Office was not doing these information-gathering functions for capital grant projects. (See p. 22)

RECOMMENDATIONS

2 The Secretary of Transportation should direct the Administrator of UMTA to

- Require grantees to justify deviations from their approved transit development plans, if these become necessary or desirable, because of changing circumstances.
- Require grantees in their transit development plans to meet the specific objectives of the capital grant program formulated in UMTA's guidelines, such as furnishing special services to elderly and handicapped persons, and to include time phasing of all capital and noncapital aspects of the plans
- Require grantees to submit timely informative progress reports, setting forth specific actions taken to implement the transit development plans and UMTA program objectives.

--Establish and execute procedures for UMTA's Office of Transit Management to become a central point for collecting, analyzing, and disseminating information on the results of the capital grant projects that would be useful to transit systems throughout the United States. (See p. 24)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department said this report was a constructive analysis of UMTA's capital grant program insofar as it relates to larger urban areas which had recently undergone transitions from private to public ownership, and it believed that the recommendations were sound and would contribute to improved program management. Although progress had been made in each of the recommended areas, the Department said it would intensify actions to make sure that the recommendations were implemented fully

According to the Department, it is taking the following steps to implement the recommendations

- All capital grant applicants are now required to spell out in detail the proposed timing of their capital improvements and the relation of physical capital improvements to the area's program for operations

improvements Deviations from existing transit development plans will require explicit discussion and justification in grant applications

- UMTA's field engineers are now responsible for reviewing grantees' progress reports
- UMTA is working with grant recipients to see that transit development plans spell out problem areas and means--both capital and operating--of resolving them
- The Offices of Transit Management and Policy and Program Development are working on ways of collecting more useful information on all phases of transit operations, including the effects of the capital grant program. The Office of Transit Management has solicited comments on the use and dissemination of transit data from all UMTA offices and plans to have a specific plan of action available by early fall

In addition, UMTA is working with the Federal Highway Administration toward the promulgation of a departmental order on coor-

dinated short-range transportation (highway and transit) programming. The Department believes that this will serve as an important means of implementing GAO's recommendation on time phasing of capital and noncapital improvements

GAO believes that UMTA's actions, taken or planned, to implement the recommendations are positive steps toward improving UMTA's management of its capital grant program. GAO believes, however, that UMTA should take additional steps requiring that transit development plans include specific program objectives and that progress reports include the specific actions that have been taken to implement these plans

MATTERS FOR CONSIDERATION BY THE CONGRESS

The report contains no recommendations requiring legislative action by the Congress, but it should assist the Congress in its legislative responsibility to urban mass transportation. This report discusses the progress and problems experienced by public bodies in taking over bus transit systems, as well as areas for improvement in UMTA's administration

CHAPTER 1

INTRODUCTION

The urban transit industry in the United States has experienced a substantial decrease in ridership since World War II. Increased availability of automobiles, population dispersion, rising capital and operating costs, and other factors have caused operators of transit systems to reduce service and raise fares. The industry has been in a deficit position since 1963. According to statistics published by the American Transit Association, between 1945 and 1963 the number of paying transit passengers decreased from 19.0 billion to 6.9 billion.

Recognizing that the quality of urban living was being jeopardized by the inadequacy or deterioration of transit systems, the Congress passed the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601) to provide Federal assistance "for the development of comprehensive and coordinated mass transportation systems."

The Department of Housing and Urban Development (HUD) originally was responsible for implementing the programs under the act. This responsibility was transferred under Reorganization Plan No. 2 of 1968 to the Department of Transportation and its newly created Urban Mass Transportation Administration (UMTA) on July 1, 1968.

Of the several programs established to carry out the purposes of the act, the largest is making capital facilities grants to States and local public bodies. These grants are to enable the recipient agencies to acquire and/or improve existing transit systems or to build new transit systems. Until July 1, 1973, maximum Federal assistance under this grant program was limited to two-thirds of the net project costs, i.e., the costs which "cannot be reasonably financed from revenues." Capital grants approved on or after July 1, 1973, are funded by UMTA at a mandatory 80-percent level of net project costs. The balance of funds needed must be provided locally from non-Federal sources.

In addition, UMTA is authorized to make technical study grants to assist public bodies in meeting the statutory planning requirements to qualify for capital assistance. Such requirements include the development of a short-range (usually 5 years) transit development plan which enumerates the local needs to be satisfied by capital grant. Transportation consultants employed by the grant applicants usually prepare these plans. Eligible applicants for technical study grants could receive Federal funding of up to two-thirds of costs until July 1, 1973, when maximum Federal funding was increased to 100 percent of costs.

From the beginning of the program through December 31, 1973, HUD or UMTA had approved 373 capital facilities grants totaling about \$2.4 billion.

<u>Mode of transit</u>	<u>Number of grants</u>	<u>Number of systems</u>	<u>Federal funds</u>
(000,000 omitted)			
Rail rapid	57	14	\$1,239
Commuter train	16	9	337
Bus	295	186	699
Other	5	5	113
Total	<u>373</u>	<u>214</u>	<u>\$2,388</u>

Of the \$699 million committed for bus transit grants, \$360 million was for 98 grants to enable the public takeover of private bus companies and to purchase bus transit equipment and facilities in 70 metropolitan areas.

In addition, as of December 31, 1973, there were 118 pending grant applications requesting \$4.1 billion in Federal funds.

PROGRAM OBJECTIVES

In its program guidelines, UMTA has stated that its mass transportation assistance program's long-term goal is to improve urban life and the urban environment by providing safe, fast, attractive, and convenient service as efficiently and economically as possible.

Consistent with this long-term goal, UMTA has formulated the following three short-term objectives which, however, may vary in priority depending on conditions in individual urban areas.

1 Relief of traffic congestion. This objective seeks improvement in overall traffic movement and travel time, especially in hours of peak travel demand. Attainment of this objective should be measured by the number of people moved for a given cost rather than the number of vehicles moved. It requires efforts to provide more frequent, reliable, and faster service, greater rider comfort, better connections, route schedules, and rates, and information about the service.

2 Mobility of nondrivers. This objective is directed at the transportation needs of those without access to alternative forms of transportation, especially the young, aged, poor, and handicapped.

3 Quality of urban environment. This objective seeks to develop land use patterns and environmental conditions which effectively contribute to the physical, economic, and social well-being of urban communities. It seeks to minimize the need for transportation facilities and their demands on urban space, to reduce adverse impact on the environment, and to reduce the energy consumed in urban transportation.

SCOPE OF REVIEW

We made our review to determine what progress has been made toward meeting local transit needs as a result of UMTA capital grants for public acquisitions of private bus transit firms and for purchase of other transit-related equipment.

We made our review at UMTA headquarters in Washington, D.C., and in four metropolitan areas--Atlanta, Georgia, Honolulu, Hawaii, Minneapolis-St Paul, Minnesota, and Portland, Oregon--where local public bodies had received eight Federal capital grants totaling \$85 million through December 31, 1973 ^{1/}. We reviewed the applicable legislation, UMTA policies and procedures, and the project records and reports relative to the eight grants. We interviewed UMTA officials at headquarters and at cognizant regional offices, and we obtained information at the four project sites from the grantee organizations as well as from city, county, and State officials.

We have obtained agency and grantee comments on this report and, to the extent necessary, have included them in the report. Written comments received from the Department of Transportation have been included as appendix V.

^{1/}An additional capital grant totaling \$2 million, which was approved for the bus transit system in Minneapolis-St Paul in November 1973, was not included in our review.

CHAPTER 2
PROGRESS AND PROBLEMS
IN MEETING UMTA PROGRAM OBJECTIVES

The UMTA capital grant program has enabled public bodies in the four metropolitan areas to preserve and improve their bus transit systems but has not solved all their problems in making these systems viable. Since the systems have come under public ownership, they have incurred sharply increased operating deficits which are requiring substantial local and/or State subsidies.

On the positive side, the four transit systems have added a total of 10 million annual bus miles to the 49 million miles operated annually at the time of the takeovers. The trend of decreasing ridership has been reversed and several service improvements have been made. However, the impact on traffic congestion, air pollution, and energy conservation has been minimal. Also, other improvements recommended in the transit development plans--which UMTA had approved--remain to be implemented.

GROWING OPERATING DEFICITS

Before being taken over, the bus transit systems in each of the four areas had experienced decreasing ridership, increasing costs, and increasing problems in operating profitably. State and/or local officials had decided, and acted on the decision, that local public ownership and operation of these systems was the best means of alleviating these problems, by providing unified or coordinated transit systems and attempting to improve service without increasing fares.

The decision in favor of public ownership was influenced by such interrelated factors as (1) the desire to eliminate the profit motive of private operators who had cut service and raised fares to compensate for decreasing ridership and rising costs, (2) the belief that increased fares would make mass transit unreasonably costly to its users, and (3) the belief that the public would not support local subsidies to private profit-motivated companies. Also, management of private transit companies had expressed the desire to get out of the declining transit business. The grantee in Atlanta pointed out that, in virtually every case of public takeover, the real alternative was either further deterioration of the system or no public transportation at all.

Through the UMTA grants, the public bodies in the four areas have been able to progress toward unified or coordinated transit systems without fare increases, to purchase new buses, facilities, and equipment, and to improve their service. However, the bus systems have moved from a position of marginal profits or modest deficits under private ownership to sharply increasing operating deficits requiring substantial local subsidies under public ownership.

The following table compares the financial operations of the transit systems in the four metropolitan areas for the last reported 12-month period under private ownership with a recent 12-month period under public ownership. The table also shows that the recent operating deficits have been greater than those indicated in projections submitted by the public bodies when applying for UMTA grant assistance.

<u>Period of operation</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Profit or loss(-)</u>	<u>Profit or loss(-) projections submitted to UMTA</u>
-----(000 omitted)-----				
<u>Atlanta</u>				
FY 1971 (private ownership)	\$15,378	\$15,304	\$ 74	
FY 1973 (public ownership)	8,789	20,619	-11,830	\$-9,188
<u>Honolulu</u>				
CY 1970 (private ownership)	4,970	5,238	-268	
FY 1973 (public ownership)	5,255	7,054	-1,799	(a)
<u>Minneapolis-St Paul</u>				
CY 1969 (private ownership)	13,572	12,834	738	
FY 1973 (public ownership)	14,009	19,314	-5,305	417
<u>Portland</u>				
CY 1968 (private ownership)	6,983	6,808	175	
FY 1973 (public ownership)	6,253	11,614	-5,361	<u>b/-4,310</u>

a/Projection not comparable because it includes operating results of transit companies not acquired as of FY 1973

b/This projection, which was revised from an initial estimated loss of \$3,090,000, does not allow for depreciation of facilities and equipment. Actual depreciation charged against FY 1973 operations was \$911,670

The substantial decrease in operating revenues of the Atlanta transit system in fiscal year 1973 resulted primarily from a 63-percent fare reduction which was only marginally offset by a 24-percent increase in ridership. The Portland system also showed decreased revenues after public acquisition because ridership had only recently reversed its downward trend and had not yet reached during fiscal year 1973 the higher level of ridership in calendar year 1968. All four systems experienced substantial increases in operating expenses after public acquisition primarily because of increases in personnel and wage rates. Generally, the higher-than-projected operating deficits resulted from greater-than-expected labor costs and fewer-than-expected revenue passengers.

In commenting on this report (see p. 31), UMTA said that to a degree, public agencies were experiencing the effect of "catchup" wage settlements for transit workers, especially in situations where private companies were in poor financial condition.

The public systems have used a variety of sources to offset their operating deficits. Atlanta used the proceeds from a special sales and use tax, Honolulu used the city's general revenue fund, Minneapolis-St. Paul (Twin Cities) used a property tax levy in the metropolitan area, and Portland used an employers' payroll tax. Revenue projections for Portland indicated that in fiscal year 1975 the funds generated by the payroll tax may not cover the transit system's operating deficits and the local cost sharing required under UMTA's grant program. In this event, Portland may have to raise the rate of the payroll tax or use other available funding measures.

Because of the increasing difficulties experienced by public authorities in meeting their continuing deficits in mass transit operations, legislation is pending in the 93d Congress under which local public systems would receive Federal aid to meet transit operating deficits. As of August 1974, one bill (S. 386) under consideration would authorize, over a 2-year period, \$800 million that would be allocated in proportion to an urbanized area's population, transit revenue passengers, and transit revenue vehicle-miles and could be used for either transit capital or operating assistance. Another measure (H.R. 12859) would authorize \$11.4 billion for fiscal years 1975-80, of which \$7.6 billion could be used in proportion to the States' urbanized area populations for either capital or operating requirements. Operating subsidies could not exceed 50 percent of a State's annual apportionment. Both bills include similar maintenance-of-effort clauses requiring local bodies to use Federal funds as a supplement instead of a substitute for ongoing local financial support.

ATTRACTING NEW RIDERS

The four transit systems have been successful in reversing the long-term decline in ridership. Annual ridership had fallen from post-World War II peaks totaling about 455 million for the four

metropolitan areas to low points during the early 1970s totaling about 155 million riders. Totals for 1973 show that ridership after public takeover had increased to about 175 million in the four areas. The following chart shows the ridership trends under private and public ownership for 1966 through 1973.

A primary factor in producing an increase in ridership in Atlanta, the Twin Cities, and Honolulu appears to have been the restructuring of the fare systems by reducing fares or allowing free rides. Other factors which appear to have contributed to the increased ridership are improved and expanded service and greater promotional efforts. In Portland, no single action appears to have contributed to the small increase in bus riders.

UMTA's reply to our report pointed out that other cities have maintained fares and still increased ridership. For example, Baltimore's ridership is up 10 percent since public takeover, and fares have remained stable at 30 cents a ride. UMTA maintained that the provision of high-level service and the expansion of information about routes and schedules are factors to be considered equally with fare policy in evaluating ridership levels.

In commenting on our report, UMTA provided statistics on ridership to demonstrate that new riders turned to bus transit during the critical energy shortage early in 1974 and that a sizable number continued to ride buses even when gas became more plentiful. In the four cities covered in this report, ridership was up 10.5 percent during the first 6 months of 1974 compared with the same period in 1973. UMTA has estimated the ridership will increase by about 20 million in 1974 compared with 1973 in the four metropolitan areas.

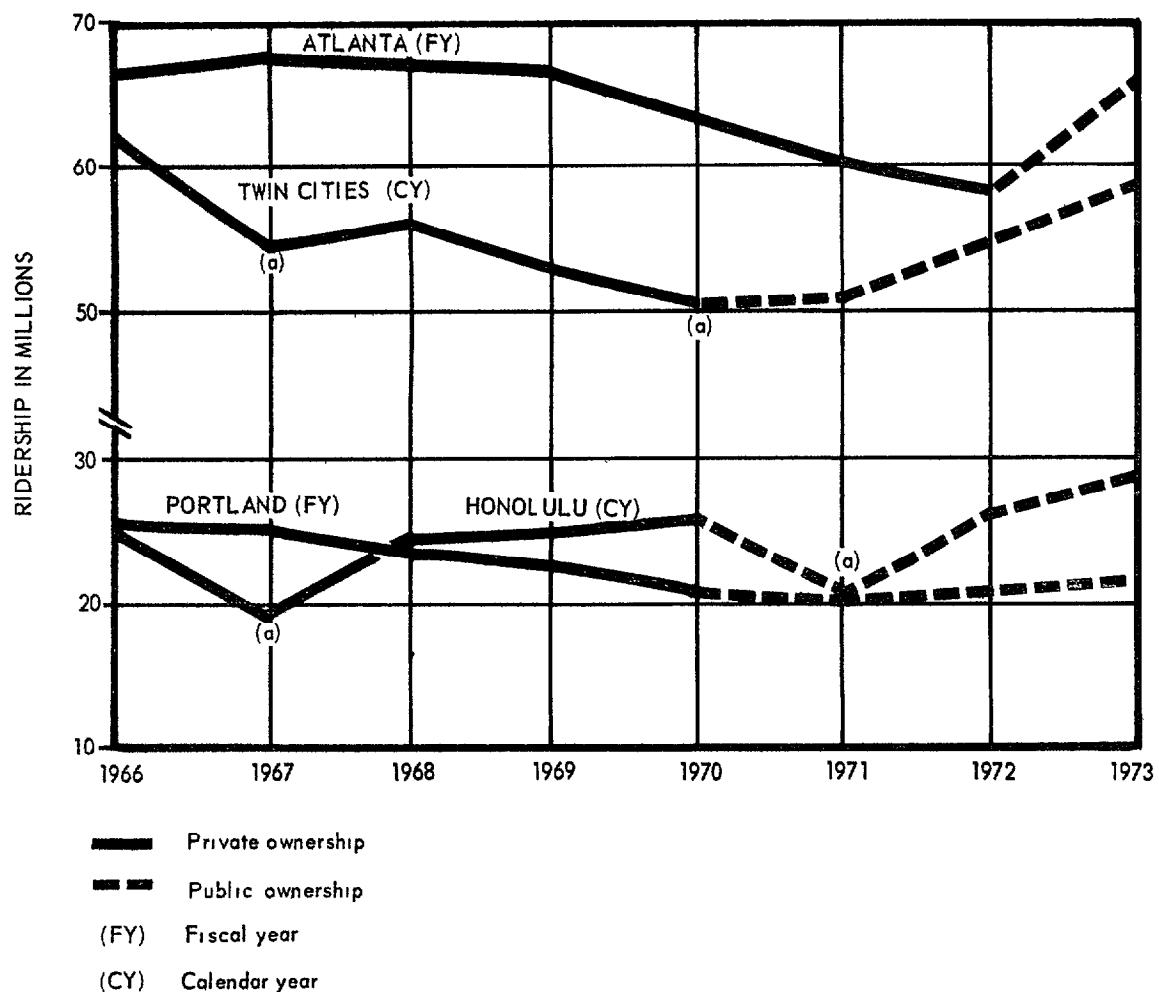
IMPACT ON TRAFFIC CONGESTION

Trends in automobile traffic before and after public takeover of the bus operations in the four areas indicate that, although the transit systems have been successful in attracting new riders, such increases have had minimal impact on alleviating overall traffic congestion.

In the absence of relevant information in UMTA records, we sought to obtain such traffic data directly from the local authorities in the four cities. Specific information was generally not available on whether the new transit riders had previously used automobiles for the trips they were now taking by bus.

Only the Atlanta transit company had made such a survey of transit riders which showed that, in November 1972, 21,600 daily transit trips were made by former automobile drivers and that 58 percent of these were made during morning and afternoon peak traffic periods. Another study showed that in 1971 about 1 million automobile trips were made daily into the central Atlanta area and that an estimated 2.8 million daily automobile trips were made in the five-county metropolitan area. In

**RIDERSHIP TRENDS
UNDER PRIVATE & PUBLIC OWNERSHIP**



relation to the total number of automobile trips, the diversion of 21,600 trips from automobile to bus, while having some beneficial effect, would not have contributed significantly toward relieving traffic congestion in the Atlanta area.

Senior citizens traveling during offpeak hours accounted for almost all the increased ridership in the Twin Cities in 1972 and about one-third in 1973. This ridership increase would have no effect on congestion during peak traffic periods. For the other two-thirds of the increase in 1973, accounting for about 2.8 million trips, the nature of the ridership could not be identified, however, even if all these riders were former automobile drivers they would account for only about one-fourth of 1 percent of the 1,150 million trips made annually in the metropolitan area of the Twin Cities.

Available statistics for the Honolulu area also indicated that the impact of increased bus ridership was minimal, resulting in an estimated reduction of between one-tenth of 1 percent and 1-1/4 percent (depending on various assumptions made as to whether transit riders were former automobile drivers) in the area's daily traffic volume during calendar year 1973.

In the Portland area, which had a relatively small increase in bus ridership, the traffic congestion appeared to be less serious than in the other areas, the latest traffic count showed only about 100,000 vehicles entering the downtown area daily.

UMTA, in commenting on this report, stated that, although congestion may appear to have remained stable in the cities we examined, it is important to consider the increase in congestion which might have occurred if no public transportation improvements had been made.

GENERAL IMPROVEMENTS IN SERVICE

With the assistance of UMTA's grants, the four transit systems have taken several measures to improve bus service. These improvements consisted of increased service, new equipment and facilities, changes in fare structure, and better public communications. Some of them were made in response to recommendations in the transit development plans, others were in addition to those recommended. However, a number of planned improvements were not implemented for various reasons, some of which were not within the control of the grantee organizations.

Levels of service

All four grantees have increased the overall levels of service in their metropolitan areas by adding 10 million annual bus miles over the 49 million miles operated annually at the time of the takeovers.

<u>Metropolitan area</u>	<u>New bus miles</u>
	(millions)
Twin Cities	2.9
Portland	2.2
Atlanta	5.1
Honolulu	.1
Total	<u>10.3</u>

The increased mileage resulted primarily from the extension and/or revision of existing routes and the addition of new routes. Some of these changes in the level of service were in accordance with the improvements recommended in the transit development plans, others were made in response to local studies and citizen requests.

For example, in the Twin Cities, 24 existing routes were revised and 26 new routes were added. Twelve of the revisions and one of the new routes were included in the transit development plan, but an additional nine revisions and two new routes, also recommended in the plan, were not made. The grantee did not agree with the anticipated ridership benefits from some of the recommended changes.

The grantee in Portland increased the service frequency on 29 routes. However, these changes included only 2 of the 35 service frequency changes in the approved transit development plan. The grantee had no definite plans for increasing service on the other 33 lines, because cost estimates had shown that such increases would have resulted in substantial increases in the grantee's operating deficit.

Equipment and facilities

As of December 31, 1973, the four transit systems had received 896 buses, out of a total of 1,632 bus purchases authorized under UMTA's capital grants.

	<u>Authorized</u>	<u>Delivered</u>
Atlanta	490	125
Honolulu	202	187
Twin Cities	610	334
Portland	<u>330</u>	<u>250</u>
Total	<u>1,632</u>	<u>896</u>

Honolulu and the Twin Cities were basically on target in their bus purchase programs. Atlanta had experienced a delay in purchasing about 250 buses planned for delivery late in 1973 because of difficulty in reaching agreement with UMTA and the manufacturer on the equipment specifications. Delivery of 365 Atlanta buses was expected by June 1974.

Portland had delayed an anticipated fiscal year 1974 purchase of 40 buses until a local budget freeze could be lifted

The public authorities, in addition to modernizing their bus fleets, were able under the grant program to make other needed capital improvements, such as purchasing, constructing, or renovating service facilities, purchasing service vehicles, communications, and fare collection equipment, and acquiring passenger shelters. The various purposes of the UMTA grants together with grantee expenditures as of December 31, 1973, are detailed in appendixes I through IV

Fare structure

Under public ownership the four transit systems made changes in the fare structures to provide incentives to potential bus riders as well as to grant special concessions to certain classes of riders.

All four systems reduced maximum fares by lowering the base fare, offering free or reduced transfers, or restructuring fare zones. The last two of these measures had been recommended in the transit development plans approved for three of the four systems. The Atlanta system reduced the base fare from 40 cents to 15 cents whereas the other three systems made transfer or zone adjustments.

Fares in three transit areas were adjusted for the elderly, the handicapped, and students. The transit systems in the Twin Cities and Portland were required by State law to grant special fares for the elderly. The specific adjustments were

- Honolulu established a policy of free rides for individuals 65 years of age or over and continued the previous free-fare policy for blind persons. It also instituted reduced student fares of 10 cents at all times of day
- The Twin Cities allowed the elderly to ride free during nonpeak periods
- Portland established a 10-cent fare during nonpeak periods for individuals 65 years of age and over, the legally blind, and the disabled and free fares for these same individuals during the evening hours and at all times on weekends. It also reduced fares to 25 cents for high school students and 15 cents for grade school students

Public communications

Transportation consultants engaged by the transit systems found that communications between the private bus companies and the public had been inadequate, they recommended improvements. Accordingly, since public takeover, all four locations have made efforts to improve communications. New telephone information centers were instituted and greater use was made of existing services, such as press releases and informational flyers.

Route schedules were simplified and the number of ticket sales outlets was increased.

The Twin Cities and Portland significantly increased their advertising expenses. In the Twin Cities, 10 times more was spent for advertising in fiscal year 1973 than had been spent annually by the private operator. In Portland, advertising and public relations expenses were increased for such efforts as direct-mail campaigns, door-to-door solicitation, and advertising on radio and television and in newspapers. The actions taken thus far have been in line with the approved transit development plans, although further measures remained to be taken to fully implement the plans' recommendations.

SPECIAL SERVICES TO TRANSIT DEPENDENTS

One of the objectives of UMTA's assistance programs is to meet the transportation needs of those persons not having access to alternative forms of transportation, especially the young, elderly, poor, and handicapped (referred to as transit dependents). Three of the four transit systems had made some progress in this direction, but additional actions were needed, especially to serve riders whose physical limitations preclude the use of standard transit service. Also studies were needed to identify the numbers of such riders, the areas to be served, and the nature of their transit needs and to include recommendations in the transit development plans.

In addition to reduced or free fares as previously discussed, the transit systems in Atlanta, the Twin Cities, and Portland had added or modified bus routes and schedules to better serve persons in hospitals, homes for the elderly, and educational facilities. Most of these changes were made as a result of requests from local interest groups and bus patrons rather than by systematic studies.

A study had been made in Atlanta covering three low-income neighborhoods and proposing special community service routes to the neighborhoods; this service was scheduled for mid-1975. An Atlanta official said the three neighborhoods were selected as prototypes for service which might be provided for any or all such areas. Also the city of Portland had made a study to identify elderly and handicapped persons and their special transportation needs and had requested the transit system to provide specialized vehicles or funds to be used to serve the persons so identified. However, because of budgetary limitations, the transit system turned down the city's proposals.

Although the transit systems generally favored the use of special vehicles for physically handicapped persons, they have not identified the extent of the need for this service. One system, the Twin Cities, had applied to UMTA for funds to acquire such equipment. This application, filed in March 1972, was for two vehicles to serve the county which includes the city of St. Paul. It had been awaiting UMTA approval pending agreement between the applicant and the local welfare

board regarding local financial commitment UMTA, in commenting on this report, stated that in June 1974 a capital grant was approved for the system to purchase 10 specially equipped buses for the elderly and handicapped This grant was based on a separate application under which the local share was supported by a State program for the elderly and handicapped

Except for Portland, the transit development plans did not include, or included only in part, services for transit dependents. The plans for the Twin Cities and the initial plan for Honolulu included no such service. Honolulu's revised plan, submitted to UMTA for approval in October 1973, proposed the purchase of four specially equipped buses for the handicapped in 1978 but did not include any other measures for transit dependents The plan for Atlanta will be considered a pilot study of special service in three low-income neighborhoods beginning in 1975.

The plan for Portland generally recognized the need for specialized service to those who cannot use regular service and recommended new routes and route changes to transit dependents' activity centers and a co-operative program with social welfare and health agencies to introduce reduced fares to transit dependents Most of these recommendations have not been adopted because of a tight budget.

In commenting on this report, UMTA stated that it had begun a major study of the transportation needs of the handicapped This study is to determine the travel requirements of various classifications of handicapped persons and to develop viable transportation service alternatives using all modes The product of this study will be data on the numbers and types of transportation impairments and solutions for each

UMTA also pointed out that \$20 million had been set aside for capital assistance to private nonprofit corporations and associations providing transportation for the elderly and handicapped This program will supplement services already provided by regular transit companies in urban areas Planning funds are also available to the States to inventory these capital needs and to coordinate efforts among the appropriate agencies

IMPROVING THE URBAN ENVIRONMENT

UMTA's long- and short-range objectives of promoting urban mass transportation include the improvement of the environment. UMTA's guidelines mention specifically the desirability of reducing adverse impacts on the environment such as air pollution Its budget presentation for fiscal year 1975 cites as a related objective the conservation of energy

The four metropolitan areas covered in our review had developed long-range plans to improve the environment However, the measures taken by them so far--covering a relatively short span of time since public takeover and representing only a partial implementation of their plans--have had only minimal impact

Reducing air pollution

The Clean Air Act of 1970 (42 U.S.C. 1857) has placed stringent requirements on U.S. cities to reduce air pollution to specific levels by July 31, 1975. The act requires every State to file an implementation plan indicating how it would achieve and maintain federally prescribed standards for emissions of various pollutants. One strategy to meet these standards is to lower the number of cars on the road and thereby reduce the related pollutants. UMTA's capital grant program, helping cities to develop mass transportation systems, can be an aid to such a strategy.

The Environmental Protection Agency has identified major air pollution problems in the Portland and Twin Cities areas. In Atlanta, air quality levels for two of the five basic air pollution elements were below established standards. Honolulu was not seriously affected because of climatic conditions. The public authorities in the three affected areas have made expanded and improved bus transportation an important part of their environmental strategy and have included in their strategy plans the acquisition of new buses and the adoption of measures intended to further increase bus ridership.

At the time of our review, neither the city and transit agencies in Atlanta, Portland, and the Twin Cities nor UMTA had maintained data on the impact of increased bus use on air pollution. However, we were able to roughly estimate the volume of pollutants that may have been eliminated, assuming that a favorable impact occurred when ridership increased and using latest available local traffic statistics and emission rates per vehicle-mile. Our estimates were based on ridership increases for a recent 12-month period (fiscal year 1973 for Atlanta and Portland, calendar year 1973 for Twin Cities), compared with a 12-month period before public takeover. Using this data, we estimated the vehicle-miles that could have been eliminated resulting in a reduction of pollutant emissions.

This data indicated an annual reduction of pollutant emissions totaling between 5,100 and 12,200 tons^{1/} in the three areas, as a result of former automobile drivers switching to public bus transportation. This volume represents about 0.16 to 0.39 percent of total pollutants emitted from automobiles in the three areas during the most recent year for which such information was available.

The pertinent data for the three areas follows:

^{1/}The range considers various assumptions as to what proportion of the increased ridership represents former automobile drivers.

	<u>Reduction in pollutants</u>		<u>Total automobile emissions</u>
	<u>From</u>	<u>To</u>	
----- (tons) -----			
Atlanta	2,200	7,200	1,746,000
Twin Cities	2,800	4,800	1,107,000
Portland	100	200	252,000
Total	<u>5,100</u>	<u>12,200</u>	<u>3,105,000</u>

Impact on energy consumption

The U S energy shortage has made fuel conservation, through curtailing the use of private automobiles and obtaining wider uses of mass transit facilities, an important national goal.

Since specific data on the effect of increased fuel consumption in the four areas was not available at UMTA, nor at the city and transit agencies, we attempted to estimate the possible fuel savings on the basis of available transit ridership and local traffic statistics consistent with the assumptions made in our computations of air pollution reductions. Using this data at each of the four locations, we estimated that the private automobile-miles which could have been eliminated would have saved between 3 9 and 11 0 million gallons of gasoline. Our estimates for each of the four areas compared with total fuel consumption follow.

	<u>Estimated gallons saved (note a)</u>		<u>Total gallons consumed</u>
	<u>From</u>	<u>To</u>	
----- (millions) -----			
Atlanta	1 9	6 6	900
Honolulu	0 1	1 2	200
Twin Cities	1 8	3 0	700
Portland	0 1	0 2	400
Total	<u>3 9</u>	<u>11 0</u>	<u>2,200</u>

a/The range considers various assumptions as to what proportion of the increased ridership represents former automobile drivers

Our estimates indicate that the annual savings would represent only about 0.17 to 0.50 percent of the total fuel consumed by automobile traffic in the four areas. Therefore, a greater increase in bus ridership would be necessary to accomplish a more significant saving in energy.

CHAPTER 3

NEED FOR UMTA TO BECOME A MORE POSITIVE FORCE

IN FOSTERING NEEDED IMPROVEMENTS IN BUS TRANSIT

In administering capital grants for public takeover and improvement of bus transit systems, UMTA has functioned primarily as a source of Federal funds and has not actively monitored the extent to which grantees are making needed service improvements and are meeting UMTA program objectives. UMTA could take several actions to become more active in bringing about improved mass transportation. The actions which we believe are most promising and which we discuss in this chapter are

- strengthening the role of grantees' transit development plans,
- improving periodic progress reporting of grantees, and
- establishing procedures for the collection and exchange of information on improving mass transit operations under the Federal grant program

STRENGTHENING ROLE OF TRANSIT DEVELOPMENT PLANS

The Urban Mass Transportation Act requires capital grant applicants to present evidence of adequate planning. As part of this requirement, UMTA prescribes a 5-year transit development plan covering the local system's capital and other improvement needs. UMTA reviews the plans for technical acceptability and feasibility, the proposed capital expenditures, and the adequacy of other noncapital improvements. UMTA approves the plans or requests revisions.

These transit development plans have not been of maximum use in assuring UMTA that its capital grants would effectively contribute to program objectives and to meet identified local transit needs, because grantees were not committed to implementing the plans and to varying degrees deviated from them without systematically notifying UMTA.

For example, Portland's 1970 grant application stated that the plan would "provide * * management with specific plans for the development and operation of a metropolitan mass transit system." In 1973, however, Portland transit officials referred to the plan as a flexible planning tool which they accepted as "a good conceptual framework" for developing a plan, and reserved the right "to review, recalibrate, and update all elements of the plan."

UMTA did not require grantees to account periodically for the implementation of approved plans and to justify deviations or revisions considered necessary or desirable. Also, UMTA did not enforce a requirement, in connection with its technical studies grants, that grantees report 1 year after completing the technical studies on the steps they had taken to implement the study recommendations, if no substantial action had been taken, the report was to document the reasons and state a future course of action. None of the four transit agencies had submitted these reports, even though the 1-year periods had elapsed for three of them.

Our review showed that the four grantees, in some cases, delayed implementing portions of the plans and in others considered the plans no longer feasible or current. These delays or changes sometimes were caused by circumstances not within the control of the transit agencies or occurred because the agencies needed to further evaluate the consultants' recommendations.

We observed deviations from the development plans for all four transit systems, but only in Honolulu was formal action taken to update the plan.

The Honolulu transit agency experienced delays in carrying out many capital acquisitions and service improvements stemming from 2-1/2 years of litigation concerning the acquisition of the area's major private bus company. The grantee was unable to obtain that company's assets until March 1973. In turn, planned acquisition of two smaller bus companies was delayed.

In June 1973 UMTA found the Honolulu agency ineligible for further capital grant assistance because local officials had not updated the original transit development plan. A new plan was presented in October 1973, and UMTA reestablished the agency's eligibility in March 1974.

We observed the following significant deviations which did not result in revised plans for the transit systems in Atlanta and Portland.

In the Atlanta area, two of the four counties under the transit authority's jurisdiction received no service improvements because they did not approve a local sales and use tax to help finance the improvements and operations. About 35 new buses costing an estimated \$1.4 million were originally intended for use in the two counties. The transit authority decided that service in these counties would be provided only at pretakeover levels but that no change in the bus acquisition program as a whole was needed. Transit officials said that overall fleet requirements had not been reduced because of (1) increased bus needs to serve areas not included in the original plan and (2) a greater-than-anticipated ridership increase. Therefore, the grantee

had not, but we believe should have, provided UMTA with a revised plan explaining the impact of these 35 buses on the grantee's total equipment requirements

Several delays occurred in the implementation of the transit development plan for the Portland area, mainly because of budget limitations. The grantee depended on revenues from an employer's payroll tax to meet operating deficits and local cost-sharing requirements under UMTA's grant program. The grantee was reluctant to impose the tax at the maximum allowable rate and, in the interim, froze the transit system's operating budget and delayed planned service improvements.

In chapter 2 we mentioned that Portland's tight budget hindered the implementation of measures intended to provide specialized services for patrons who cannot use regular bus service. The tight budget also delayed efforts to improve general service and curtailed funds for fiscal year 1974, which were only enough to operate 309 of the 325 buses available.

The Portland transit agency also decided to delay making most of the recommended increases in service frequency until an additional federally funded study is completed. Improvements, which the consultant had believed possible in fiscal years 1973 and 1974, have been postponed, in spite of a predicted annual ridership increase of about 1.3 million. As a result, buses acquired with UMTA funds did not provide the level of service recommended in the approved planning documents.

In 1969 the transit agency adopted a resolution approving the 5-year development plan for the Twin Cities and stating the intent to implement the plan completely and as early as practicable. However, the ongoing program deviated from the plan in a number of respects. For example, the agency rejected, because of public resistance, one of the plan's basic suggestions, speeding up service by extending the distance between stops. Also, the agency did not meet its schedule of installing passenger-waiting shelters, because of the necessity for time-consuming approvals from local governmental units. Further, the agency was not ready to implement computer scheduling of buses or to install two-way radios in the vehicles--two consultant recommendations in the approved plan--until it had had an opportunity to evaluate these suggestions more thoroughly.

We recognize that transit development plans, covering a 5-year period and contemplating events that may be outside the grantees' control, should allow reasonable flexibility and be subject to adjustment. However, grantees should be required to justify any revisions that materially affect the timetable of proposed improvements and the use of Federal grant funds.

UMTA, in commenting on this report, stated that it agreed that changes in plans must be explained and that a direct relation must

exist between the plans and capital grant decisions. It further stated that deviations from existing transit development plans will require explicit discussion and justification

Two other ways in which transit development plans could be improved are (1) by emphasizing UMTA's specific program objectives that individual transit systems should accomplish and (2) by providing for the time phasing (i.e., establishing target dates for specific implementing actions) of planned service improvements to facilitate measuring progress in making such improvements. UMTA's expanded guidelines issued in August 1972 do not fully address these matters or have not been strictly enforced.

One of the program objectives which received insufficient attention in some of the plans we reviewed (discussed in chapter 2) was the furnishing of specialized services to transit dependents. The Urban Mass Transportation Act, as amended in 1970, requires special efforts to provide transit service which elderly and handicapped persons can effectively utilize. UMTA's guidelines state that reasonable efforts should be made by grantees to carry out this mandate, but they do not define what would constitute such reasonable efforts. UMTA did not require grantees to be specific in proposing actions to serve the elderly and handicapped. To satisfy the legislative mandate, transit agencies should develop and present definitive plans, after determining the number of patrons to be served and the special services needed by them.

UMTA guidelines discuss the need for including planned service improvements as well as capital acquisitions in the transit development plans. Before August 1972, the guidelines emphasized time phasing only for planned capital acquisitions, and many grantees were without specific plans for implementing service improvements. Of the four metropolitan areas in our review, originally only the Twin Cities had a transit development plan which included a time-phased schedule for all of its proposed transit improvements.

Since August 1972, UMTA guidelines have required transit development plans to include time-phased service improvements, but UMTA has not always enforced this requirement. In May 1973 UMTA approved Portland's plan even though it did not present the required time schedule; however, in March 1974, UMTA accepted Honolulu's revised transit development plan which included time-phased service improvements.

Without specific target dates for transit agencies making proposed service improvements, UMTA has no basis for measuring an agency's progress in improving the system and meeting the objectives of the grant program.

IMPROVING PROGRESS REPORTING

In monitoring the progress made in the implementation of transit development plans and in insuring that the objectives of the capital grant program are achieved, UMTA could make better use of the quarterly progress reports the grantee agencies are required to submit to UMTA. A meaningful reporting system is particularly important because staffing limitations do not permit UMTA extensive personal contacts with grantee agencies. We noted opportunities to improve the reporting system by upgrading the contents of the reports as well as by enforcing reporting requirements

UMTA's Division of Project Management is responsible for monitoring and administering approved capital grants. As of December 31, 1973, this Division had 14 professional staff members at headquarters, including 4 project managers responsible for monitoring about 65 grant projects each, 5 engineers, and 1 relocation specialist responsible for specialized aspects of the grants. It had 28 additional professional staff members in 10 regional offices to help with all area UMTA activities, including capital grants.

In commenting on the report, UMTA stated that it was establishing a trial field office for the Philadelphia region, with full capital grant development and management responsibility delegated to the field. Upon completion of a year's trial period, decisions about expansion of such services to other regions will be made.

Headquarters and regional officials have generally made field visits only for brief familiarization with local conditions or planning of technical studies. Most monitoring of grantees' activities has been performed by headquarters staff through telephone, required reports, and correspondence. The monitoring has been concerned principally with financial aspects.

UMTA requires grantees to submit, for its approval, equipment and facilities specifications, contracts with third parties, and proposed capital acquisitions and construction. Before UMTA disburses grant funds, it reviews a grantee's request for funds as to conformance to the approved project budget, eligibility of costs, and compliance with grant provisions. UMTA also requires the grantee's monthly financial statements to be up to date and in accord with an acceptable accounting system.

After a grantee completes a project, UMTA makes a final audit to determine the allowability of total recorded project costs and to compute the allowable Federal share. The project sponsor is required to submit annual certifications to UMTA for as long as 20 years stating that the grant facilities and equipment are being used in accordance with the purpose for which the grant was approved. UMTA interprets this requirement broadly and generally accepts the certification so long as the federally funded facilities and equipment are used for mass transportation.

To monitor grantee activities other than those of a financial nature, UMTA relies on the quarterly progress reports. The contents of these reports could be more informative. UMTA guidelines for preparing the reports are general, calling for narrative descriptions of "activities," "accomplishments," and "difficulties or delays encountered." They also call for progress charts showing the status of "major elements" of the federally funded project and a comparison of the actual rate of progress with the anticipated rate.

This information on accomplishments and relative progress could be made more meaningful if UMTA were to require that the information be related to each of UMTA's specific program objectives and to the improvements and consultants' recommendations set forth in the transit development plans. Such progress information should include both capital acquisition and service improvements. Three of the transit systems in our review provided UMTA with limited information on major capital acquisition only. The Atlanta transit agency alone reported on some service improvements and the effect on ridership.

Because of the additional burden that would be placed on grantees in preparing more detailed reports and on UMTA in review and followup, UMTA should consider reducing the frequency of such reporting.

Also, the punctuality of reporting needed improvement. For example, the transit agency in the Twin Cities often submitted its required reports late, some were delayed more than 6 months. Further, some of the grantees did not adequately comply with UMTA's requirement that quarterly progress reports include a schedule of activities anticipated in the next quarter that could be used as a yardstick to evaluate the progress actually made and reported for that quarter. Two of the four grantees did not present the required projections. One of them, although requested by UMTA in March 1973 to provide this data, had not complied a year later.

COLLECTING AND EXCHANGING INFORMATION ON TRANSIT IMPROVEMENT

An increasing number of urban mass transit systems are seeking Federal financial assistance. UMTA is facing a growing task of evaluating proposed and actual transit improvements that emanate from such assistance. Establishing a central place for systematically accumulating, analyzing, and disseminating useful program data would benefit prospective and actual recipients of Federal grant aid, as well as UMTA in its job of approving and administering grant assistance.

To date, UMTA has approved grants for over 200 urban transit systems, of which about 90 percent are for bus operations. Each grantee had to submit a transit development plan setting forth proposed actions to preserve, improve, and expand its system. These proposals, together with the actual experience gained in implementing them, represents a wealth of information that, if properly assembled and

analyzed, could be useful to the transit industry, UMTA, other public and private agencies, and the Congress in evaluating the effectiveness of Federal grant assistance

During hearings of the Joint Economic Committee's Subcommittee for Urban Affairs in May 1974, on the effectiveness of urban mass transportation programs, the Chairman said

"It is most important that we know which expenditures were successful in attracting a larger percentage of the urban transportation market to public transportation "

He also said that UMTA needed to provide more information and guidance to localities in planning their transportation systems.

Comparative information on proposed and actual improvements made in mass transportation systems throughout the country may help determine those uses of transit improvement funds and those local efforts which have high potential for achieving worthwhile service improvements. Specialized information could be gathered either in-house or through appropriate transit industry associations on how best to achieve UMTA's specific program objectives such as faster, safer, and more comfortable service for the general public and specialized service for elderly and handicapped persons. Also, information could be collected on whether the increased use of public transportation has had the desired favorable impacts on traffic congestion, air pollution, and energy conservation. Our review has shown that there has been little benefit so far

Further, certain special surveys or information projects undertaken in one public transit area may be of interest to public agencies in other localities. For example, to assist in evaluating the need for future route changes, the grantee in Atlanta has begun developing an automated load profile and survey system which summarizes transit use data and provides a rapid means for analyzing the quantity and quality of transit service and its adaptation to the needs of the riding public. These efforts, if successful, could provide valuable information to transit systems throughout the country

In September 1973, UMTA charged its newly formed Office of Transit Management with developing methods to assist in modernizing and improving transit operations and management systems and to assemble, maintain, and disseminate results of UMTA projects

As of April 1974, the office was not performing these information-gathering functions for capital grant projects. The project managers, who would have to provide the necessary data, were concerned primarily with the financial aspects of grant administration and did not obtain sufficient information on the accomplishment of specific program objectives. In previous sections we discussed the important roles of the transit development plans and the quarterly progress reports which should be strengthened to improve UMTA's monitoring function. If

these steps were taken, the Office of Transit Management would be in a better position to become a clearinghouse for the systematic accumulation and dissemination of useful project data on federally aided mass transportation systems

In commenting on our report, UMTA emphasized the differences in the functions of its Office of Transit Management and Office of Policy Program Development. It stated that these offices were working on ways of collecting more useful information on all phases of transit operations, including the effects of the capital grant program. We recognize the differences between the functions of these offices and believe the Office of Transit Management is concerned primarily with developing and disseminating analytical tools for transit managers to improve the effectiveness of their operations. Accordingly, the Office of Transit Management should work with the project managers or the transit industry associations to obtain useful data on operating and management techniques developed as a result of capital grant projects as well as its own techniques developed through special projects.

CONCLUSIONS

UMTA could play a more active role in encouraging improvements in mass transportation and in determining the extent to which the objectives of the Federal grant program are being met.

The transit development plans provide UMTA with the blueprint of how grantees intend to use the capital facilities acquired with Federal assistance. However, grantees have frequently not adhered to these plans and have not justified deviations from them. UMTA should require grantees to explain such deviations and their effect on program objectives and the uses made of Federal grant funds. Also, UMTA could use the grantees' progress reports effectively to measure progress in meeting the goals in the transit development plans and in meeting UMTA's program objectives. This could be accomplished by requiring grantees to report specific information on actions taken under their time-phased plans for capital as well as service improvements and by insisting on faithful compliance with the reporting requirements.

UMTA has not served as a central point for assembling, maintaining, and disseminating information on the results of capital grant projects. Such information, properly analyzed and made available for public use at UMTA headquarters, could become the nucleus of an information system that would benefit not only UMTA's grant administration and monitoring function but also the transit industry, other interested public and private agencies, and the Congress.

RECOMMENDATIONS TO THE SECRETARY OF TRANSPORTATION

The Secretary should direct the Administrator of UMTA to

- Require grantees under the capital grant program to justify deviations from their approved transit development plans, if

such deviations become necessary or desirable in the light of changing circumstances

- Require grantees in their transit development plans to meet the specific objectives of the capital grant program as formulated in UMTA's guidelines, such as furnishing special services to elderly and handicapped persons, and to include time phasing of all capital and noncapital aspects of the plans.
- Require grantees to submit timely informative progress reports, setting forth specific actions taken to implement the transit development plans and UMTA program objectives
- Establish and execute procedures for UMTA's Office of Transit Management to become a central point for collecting, analyzing, and disseminating information on the results of the capital grant projects that would be useful to transit systems throughout the United States

AGENCY COMMENTS AND OUR EVALUATION

In an August 19, 1974, letter (see app V), the Assistant Secretary for Administration, Department of Transportation, said that the report was a constructive analysis of UMTA's capital grant program insofar as it relates to larger urban areas which have recently undergone transitions from private to public ownership. He further said that, although the Department had certain questions about some of the findings, it believed that the recommendations were sound and would contribute to improved program management. He said that, although progress had been made in each of the recommended areas, UMTA would intensify its actions to insure that the recommendations were fully implemented.

According to UMTA, it is taking the following steps to implement the recommendations:

- All capital grant applicants are now required to spell out in detail the proposed timing of their capital improvements and the relation of physical capital improvements to the area's program for operations improvements. Deviations from existing transit development plans will require explicit discussion and justification in grant applications.
- UMTA's field engineers are now responsible for reviewing grantees' progress reports. Initially, greatest attention is being devoted to all areas which have received grants in excess of \$10 million.
- UMTA is working with grant recipients of both technical study and capital grant aid to see that areawide transit development plans spell out problem areas and means--both capital and operating--of resolving them.

--The Offices of Transit Management and Policy and Program Development are working on ways of collecting more useful information on all phases of transit operations, including the effects of the capital grant program. The Office of Transit Management has solicited comments on the use of dissemination of transit data from all UMTA offices and plans to have a specific plan of action available by early fall.

In addition, UMTA is working with the Federal Highway Administration toward the promulgation of a departmental order on coordinated short-range transportation (highway and transit) programming. UMTA stated that this would serve as an important means of implementing our recommendation on time phasing of capital and noncapital improvements.

We believe that UMTA's actions, taken or planned, to implement our recommendations are positive steps toward improving UMTA's management of its capital grant program. We believe, however, that UMTA should take additional steps requiring that transit development plans include specific program objectives, as well as local problems, and that progress reports include the specific actions that have been taken to implement these plans.

**PURPOSE OF UMTA CAPITAL GRANT TO
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
AS OF DECEMBER 31, 1973**

<u>Grant number and approval date</u>	<u>Major purpose of grant</u>	<u>Approved by UMTA</u>	<u>Spent by grantee</u>
GA-03-0007 (10-22-71)	Purchase 490 new buses	\$22,652,000	\$ 5,124,146
	Purchase Atlanta Transit System	12,888,900	12,888,900
	Construct additional maintenance facilities and expand existing facility	7,543,000	2,537,958
	Provide park-and-ride facilities	2,000,000	698,221
	Professional services	1,528,144	1,000,423
	Purchase radio equipment	1,299,000	298
	Work performed by grantee	609,990	-
	Purchase engine brakes	318,100	65,625
	Purchase bus shelters	285,000	1,463
	Purchase destination sign materials	197,800	23,275
	Purchase maintenance vehicles	84,426	84,426
	Purchase automobiles	46,000	34,492
		49,452,360	22,459,227
	Less income from sales, investment, and rental	-	10,931
	Total	\$49,452,360	\$22,448,296
	UMTA share	\$32,968,239	\$14,765,790

APPENDIX II

**PURPOSE OF UMTA CAPITAL GRANT TO
CITY AND COUNTY OF HONOLULU
AS OF DECEMBER 31, 1973**

<u>Grant number and approval date</u>	<u>Major purpose of grant</u>	<u>Approved by UMTA</u>	<u>Spent by grantee</u>
HI-03-0002 (3-22-71)	Acquire Honolulu Rapid Transit and Wahiawa companies	\$ 6,452,105	\$ 2,881,697
	Purchase 152 buses	6,961,210	5,905,109
	Purchase 50 used buses	1,016,732	1,016,731
	Acquire Leeward Bus Company	429,000	-
	Renovate facilities	210,000	14,118
	Purchase fare collection equipment	112,660	55,295
	Purchase truck and wrecker	44,572	4,714
	Purchase tools and equipment	22,215	10,734
	Purchase support vehicles	15,080	-
	Purchase office equipment	5,065	2,533
	Purchase office furniture	4,360	3,646
	Purchase communication equipment	1,575	724
	Purchase washer/cleaner equipment	1,500	631
	Contingencies	<u>570,766</u>	<u>-</u>
		<u>15,846,840</u>	<u>9,895,932</u>
	Less income from sale of old buses	<u>356,600</u>	<u>38,399</u>
	Total	<u>\$15,490,240</u>	<u>\$9,857,533</u>
	UMTA share	<u>\$10,326,826</u>	<u>\$6,561,418</u>

**PURPOSE OF UMTA CAPITAL GRANTS TO
TWIN CITIES AREA METROPOLITAN TRANSIT COMMISSION
AS OF DECEMBER 31, 1973**

<u>Grant number and approval date</u>	<u>Major purpose of grant</u>	<u>Approved by UMTA</u>	<u>Spent by grantee</u>
MN-03-0002 (12-12-69)	Purchase 16 buses	\$ 278,602	\$ 291,885
	Purchase 3 diesel buses	96,631	96,631
	Purchase bus stop signs	2,351	2,707
	Design and engineering costs	2,625	2,625
	Purchase fuel tank and pump	4,516	4,516
	Total	\$ 384,725	\$ 398,363
	UMTA share	\$ 256,483	\$ 256,483
MN-03-0004 (5-25-70)	Acquire Twin City lines	10,000,000	6,817,238
	Purchase 93 buses	3,294,646	3,292,597
	Professional services--legal, engineering, and appraisals	250,233	54,930
	Renovate facilities	221,902	168,119
	Purchase of passenger shel- ters and bus stop signs	185,000	177,845
	Work performed by grantee	142,926	108,317
	Purchase of maintenance equip- ment	194,000	229,012
	Contingency	308,873	-
		14,597.580	10,848,058
	Less		
	Income from sale of old buses	11,880	56,268
	Investment income	-	287,441
	Total	\$14,585,700	\$10,504,349
	UMTA share	\$ 9,723,800	\$ 6,727,444
MN-03-0005 (3-31-72)	Purchase 498 buses	21,619,680	8,839,165
	Purchase support equipment-- vehicle controls, communica- tions, fare collections, etc	895,180	52,498
	Renovate facilities	1,031,500	23,048
	Purchase of passenger shel- ters	452,000	53,900
	Purchase maintenance and serv- ice equipment	259,350	219,134
	Acquire suburban bus com- panies	255,000	-
	Professional services--engi- neering, legal, construction, and appraisals	195,500	8,962
	Renovate/improve existing equip- ment	80,292	20,282
	Work performed by grantee	39,000	15,502
	Contingencies	2,301,148	-
	Unidentified expenditures	-	4,273
		27,128,650	9,236,764
	Less		
	Income from sale of old buses and other vehicles	128,650	43,997
	Investment income	-	23,665
	Total	\$27,000,000	\$ 9,169,102
	UMTA share	\$18,000,000	\$ 6,112,735
	Total for 3 grants	\$41,970,425	\$20,071,814
	UMTA share for 3 grants	\$27,980,283	\$13,096,682

APPENDIX IV

PURPOSE OF UMTA CAPITAL GRANTS TO
 TRI-COUNTY METROPOLITAN TRANSPORTATION
 DISTRICT OF OREGON
 AS OF DECEMBER 31, 1973

<u>Grant number and Approval date</u>	<u>Major purpose of grant</u>	<u>Approved by UMTA</u>	<u>Spent by grantee</u>
OR-03-0002 (6-05-70)	Purchase Rose City Transit assets	\$ 2,730,000	\$ -
	Purchase 75 buses	2,817,111	2,817,111
	Purchase land	270,000	270,000
	Prepare new buses for service	13,214	13,214
	Contingencies	555,925	-
		6,386,250	3,100,325
	Less income from sale of old buses	11,250	1,056
	Total	\$ 6,375,000	\$ 3,099,269
	UMTA share	\$ 4,250,000	\$ 2,066 79
OR-03-0003 (3-25-71)	Purchase 135 buses	5,817,968	5,817,968
	Purchase Blue Lines assets	750,000	750,000
	Prepare new buses for service	6,730	6,730
	Unidentified expenditures	-	657
	Contingencies	151,699	-
		\$ 6,726,397	\$ 6,575,355
	Less income from sale of old buses ,	54,413	104,737
	Total	\$ 6,671,984	\$ 6,470,618
	UMTA share	\$ 4,447,989	\$ 4,313,745
OR-03-0006 (5-25-72)	Purchase 120 buses	5,668,000	1,838,593
	Purchase and install bus shelters	200,000	-
	Purchase office equipment	175,000	-
	Purchase and install destination and information signs	165,791	-
	Purchase bus washing facilities	150,000	-
	Purchase land with buildings	122,000	112,500
	Renovate 75 old buses	109,450	4,907
	Purchase service vehicles	60,000	54,163
	Purchase and install bus stop signs	58,000	70
	Purchase communication equipment	54,000	-
	Renovate property	50,000	10,093
	Construct communication center	25,000	-
	Purchase 6 automobiles	24,000	21,541
	Purchase and install LSN injectors	14,652	8,962
	Prepare new buses for service	12,000	1,106
	Professional service--legal and appraisal	3,000	675
	Contingencies	757,107	-
	Unidentified expenditures	-	147,870
		7,648,000	2,200,480
	Less project revenue	1,500	-
	Total	\$ 7,646,500	\$ 2,200,480
	UMTA share	\$ 5,097,665	\$ 1,466,987
	Total for 3 grants	\$ 20,693,484	\$ 11,770,367
	UMTA share for 3 grants	\$ 13,795,655	\$ 7,845,911



ASSISTANT SECRETARY
FOR ADMINISTRATION

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D C 20590

August 19, 1974

Mr Henry Eschwege
Director
Resources and Economic Development
Division
U S General Accounting Office
Washington, D C 20548

Dear Mr Eschwege

This is in response to your letter dated July 2, 1974, requesting our comments on the General Accounting Office's report entitled "Grants to Improve Bus Transit Systems--Progress and Problems". The report concludes that the Urban Mass Transportation Administration (UMTA) could play a more active role in encouraging improvements in mass transportation time and in determining the extent to which the objectives of the Federal grant program are being met.

The GAO report is a constructive analysis of UMTA's capital grant program insofar as it relates to larger urban areas which have undergone recent transitions from private to public ownership. While we have certain questions about certain GAO findings, as noted in the enclosed reply, we believe that the four conclusions in the GAO report are sound and will contribute to improved program management. While progress has already been made in each of the recommendations areas, UMTA will intensify its actions to insure that the GAO recommendations are fully implemented in the immediate future.

I have enclosed two copies of the Department's reply

Sincerely,

William S. Heffelfinger
William S. Heffelfinger

Enclosure
(2 copies)



DEPARTMENT OF TRANSPORTATION
URBAN MASS TRANSPORTATION ADMINISTRATION
WASHINGTON D C 20590

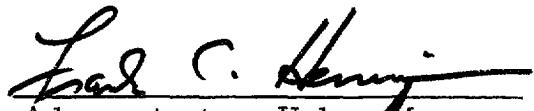
DEPARTMENT OF TRANSPORTATION REPLY

TO

GAO DRAFT REPORT OF JULY 1974

ON

GRANTS TO IMPROVE BUS TRANSIT
SYSTEMS -- PROGRESS AND PROBLEMS



Administrator, Urban Mass
Transportation Administration

Date August 1, 1974

I SUMMARY OF GAO FINDINGS AND RECOMMENDATIONS

The GAO report is based on an analysis of bus transit operations in four urban areas which have received UMTA capital grant assistance. In each of the four urban areas -- Twin Cities, Atlanta, Portland and Honolulu -- the UMTA grant assisted in the acquisition of failing private bus companies which, as a result of increasing costs and ridership losses, were on the brink of abandoning service.

The study investigated the effect of UMTA grants through December 31, 1973, at which time UMTA had committed approximately \$87 million for system acquisitions and improvements such as new buses and maintenance facilities in the four areas.

Following are GAO's principal finding and recommendations

a) Findings

- 1) While improvements in transit service and facilities, have been made in each area, operating costs have increased markedly, thus requiring substantial local subsidies.
- 2) Transit usage has increased by about 20 million riders annually in the four areas, although there has been no substantial reduction in traffic congestion, air pollution and energy consumption
- 3) Service improvements such as more frequent service, fare reductions, new and more reliable equipment and better information on operations have been made, but these improvements have not always coincided with 5-year transit development plans.
- 4) Greater attention to the needs of transit dependents is needed, especially for the handicapped.
- 5) Grantees have been negligent in notifying UMTA of deviations in their transit improvement plans, and in reporting quarterly on the progress and impact of approved grants.
- 6) UMTA's Office of Transit Management was not fully assembling and disseminating information on capital grant projects

APPENDIX V

b) Recommendations

- 1) Grantees should be required to justify changes in their transit development plans
- 2) Transit development plans should address in a better way the specific objectives of UMTA's capital grant program, and should include time-phasing of all capital and non-capital elements of the plans
- 3) Progress reports spelling out capital and operations improvements should be strengthened
- 4) UMTA's Office of Transit Management should be a focal point for information collection, analysis and dissemination on the capital grant program

II SUMMARY OF DEPARTMENT OF TRANSPORTATION POSITION

The GAO report is a constructive analysis of UMTA's capital grant program insofar as it relates to larger urban areas which have undergone recent transitions from private to public ownership. While we have certain questions about certain GAO findings, as noted below, we believe that the four conclusions in the GAO report are sound and will contribute to improved program management. While progress has already been made in each of the recommendations areas, UMTA will intensify its actions to insure that the GAO recommendations are fully implemented in the immediate future.

III POSITION STATEMENT

Two of every three public transportation riders in the nation use buses. UMTA recognizes that improvements in bus transportation are essential if its overall objectives, and the transportation objectives of local communities, are to be met. Toward that end, research and development in the area of new bus technology have been undertaken, with Transbuses soon to be in revenue testing in four cities. The demonstration program has supported a number of projects designed to find ways of better utilizing existing facilities for buses, including the I-95 Shirley Express bus lane in northern Virginia. In the area of management practices several software packages have been developed to improve bus operations, scheduling, maintenance and accounting and UMTA's capital grant program has

provided over one billion dollars in grants through the end of fiscal year 1974, to assist in the acquisition of failing private bus companies, the purchase of nearly 20,000 new buses and the construction of maintenance facilities and other support equipment UMTA bus grants have been made to over 200 urban areas in the nation.

We agree with the GAO recommendations and are taking these steps to implement them

All capital grant applicants are now required to spell out in detail the proposed timing of their capital improvements, and the relation of physical capital improvements to the area's program for operations improvements Deviations from existing transit development plans will require explicit discussion and justification in grant applications

- . Increased responsibility has been given to UMTA's field engineers to review progress reports from grantees. Initially, greatest emphasis is being devoted to all areas which have received grants in excess of \$10 million

We are working with grant recipients of both technical study and capital grant aid to see that areawide transit development plans spell out problem areas and means -- both capital and operating -- of resolving them.

The Offices of Transit Management and Policy and Program Development (formerly the Office of Program Planning) are working on ways of collecting more useful information on all phases of transit operations, including the effects of the capital grant program UMTA bears the greatest financial stake in a comprehensive analysis and impact evaluation of the new Bay Area Rapid Transit District system in San Francisco and is working with other agencies on a proposal for a similar study of the Washington D C METRO system. The Office of Transit Management has solicited comments on the use and dissemination of transit data from all UMTA offices and plans to have a specific plan of action available in the early fall.

While these comments relate to the specific GAO recommendations, a number of the GAO findings deserve some additional commentary

APPENDIX V

Case Study Selection

UMTA's Office of Program Planning is completing a study of bus grants in 15 selected urban areas of all sizes. We note that the GAO study covers four areas of a similar size, each of which was faced by a critical need to acquire failing private bus companies. Caution should be exercised in generalizing about bus operations and the impact of UMTA grants in cities of all sizes, based solely on a study of four areas. UMTA plans to continue its examination of capital projects - rail and bus - as a guide to future program policy and objectives.

Need for Local Subsidies and Ridership Levels

While it is true that fare reductions took place in three of the four cities studied by GAO, with resulting ridership increases, other cities have maintained fares and still increased ridership. For example, Baltimore's ridership is up 10% since public takeover, while fares have remained stable at 30¢ per ride. The provision of high-level transit service and expansion of information on routes and schedules are factors to be considered equally with fare policy in evaluating ridership levels.

The level of local operating subsidies is a function of many factors, primary among them being fare level policy, service levels, and wage rates. In Atlanta, local officials and the general citizenry realized that a sizeable subsidy would be needed to support a high level of service at the 15¢ fare, and devised a means of local financing through a sales tax increase. They never intended that operating costs would be met by increased fare-box revenues. To a degree, public agencies are also experiencing the effect of "catch-up" wage settlements for transit workers, especially in situations where private companies were in dire financial condition.

Traffic Congestion, Air Pollution and Energy Conservation

The strike of METRO bus drivers last spring should provide an excellent example of how transit assists in the reduction of congestion which would exist in the absence of transit. While congestion may appear to have remained stable in the cities examined by GAO, it is important to consider the possible increases in congestion which surely would have occurred if no public transportation improvements had been made.

The GAO report cites ridership figures through December 1973 and suggests that only minor ridership increases were realized despite the energy crisis. Following are updated figures in ridership which demonstrate that new riders turned to transit during the critical energy shortage in early 1974, and that a sizeable number continued to ride buses even when gas became more plentiful.

MONTHLY REVENUE PASSENGERS
(no of thousands)

	Atlanta	Honolulu	Portland	Twin Cities
1973				
Nov	4,796	2,246	1,540	4,536
1974				
Mar	4,859	3,002	1,836	4,905
May	4,883	2,904	1,740	4,875

With the energy crisis in the early months of 1974 transit riding increased on a national level to new high levels. February 1974 ridership was 11.29% higher than February 1973. With the easing of the crisis and the availability of gasoline, some of this new traffic disappeared, transit riding in the first six months of the year was up 6.53% over the same 1973 period. In the four cities covered in the GAO study ridership was up 10.5%.

These monthly ridership figures translate into estimated 1974 patronage as follows, compared to ridership in each city during the last year of private ownership before public acquisition:

**ESTIMATED PASSENGER TRAFFIC FOR 1974
COMPARED TO FINAL FULL YEAR OF PRIVATE OWNERSHIP**
(in thousands)

	Atlanta	Honolulu	Portland	Twin Cities
1974 Estimate	57,318	34,566	21,262	57,717
Private Ownership	44,376(1971)	23,700(1970)	17,018(1968)	53,059(1969)

Thus, UMTA estimates that ridership in the four cities examined by GAO will increase by some 20 million in 1974 as opposed to 1973, and by nearly 33 million annually over ridership during the last year of private ownership

Transit Development Plans

Transit development plans or programs generally cover a 5-year period and are subject to constant updating. There is a considerable difference between a 5-year program developed jointly by a planning agency and public transit agency for an area whose transit system is in private ownership, and one prepared subsequent to public takeover. Transit development plans must be both sufficiently realistic to serve as guides to action, and flexible enough to accommodate changes in policy and operations. As part of its certification process UMTA requires regular updating of areawide transit development plans. We fully agree that changes in plans must be fully explained, and that a direct relationship exist between the plans and capital grant decisions.

UMTA is working with FHWA toward the promulgation of a Departmental Order on coordinated short-range transportation (highway and transit) programming. This will serve as an important means of implementing GAO's recommendation on time-phasing of capital and non-capital improvements.

Emphasis on Transit Dependents

During the past fiscal year a number of capital grants included buses especially equipped with lifts to serve the handicapped. For example, in June a capital grant was approved for the Twin Cities Area Metropolitan Transit Commission for the purchase of 10 specially-equipped buses for the elderly and handicapped. These buses will be equipped with lifts and restraints, and will be operated by advance-schedule and dynamic dispatch methods. This is in part a result of planning analyses of the transit needs of the elderly and handicapped, as called for on page [45] of the draft GAO report.

GAO note Number in brackets refers to page in final report

UMTA has just embarked on a major research study of the transportation needs of the handicapped. This study will determine the travel requirements of various classifications of handicapped people and develop viable transportation service alternatives utilizing all modes. The product of this study will be data on the numbers and types of transportation dysfunctions and transportation solutions for each

Recently UMTA modified its capital grant procedures to make readily available capital assistance to private nonprofit corporations and associations providing transportation for the elderly and handicapped. \$20 million in regular capital grant funds has been set aside for this purpose and States have been notified of this action (see attachment). This program will supplement services already provided by regular transit operators in urban areas

Data Collection and Analysis Capability Within UMTA

The GAO report recommends that UMTA's Office of Transit Management "become a central point for collecting, analyzing, and disseminating information on the results of the capital grant program."

We agree with the need for the development of a data monitoring and evaluation function in UMTA, but the specific GAO recommendation appears to have resulted from a misreading of the functional statements of the various UMTA offices. The responsibility for "evaluation of the overall UMTA program" (including capital grants) and for "monitoring urban transportation performance" is with the Office of Policy and Program Development, while it is a mission of the Office of Transit Management "to assemble, maintain, and disseminate results from UMTA projects" which pertain to developing "methods to assist in modernizing and improving transit operations and management systems."

Both of these UMTA offices will be assembling and analyzing data and using performance measures. But the types of data and performance measures and the purposes for which they will be used will differ. The Office of Policy and Program Development is analyzing data in order to evaluate the UMTA program and monitor

APPENDIX V

urban transportation performance, while the Office of Transit Management is primarily concerned with developing and disseminating analytical tools to be used by transit managers to improve the effectiveness of their operations. For example, they are responsible for projects, such as RUCUS, for vehicle and driver runcutting and scheduling, SIMS, for service inventory and maintenance, MPS, maintenance planning system, and FARE, which contains formats and definitions for the compilation of financial and operating data by transit operators.

[See GAO note]

UMTA is proceeding with the establishment of a trial field office for the Philadelphia region, with full capital grant development and management responsibility delegated to the field. Upon completion of a year's trial period decisions about expansion to other regions will be made.

GAO note Material has been deleted because of changes to the final report



DEPARTMENT OF TRANSPORTATION
URBAN MASS TRANSPORTATION ADMINISTRATION
WASHINGTON D.C. 20590

JUN 28 1974

Honorable Ronald Reagan
Governor of California
Sacramento, California 95814

Dear Governor Reagan

In his Message to the Congress on Older Americans on March 23, 1972, President Nixon stated that the Department of Transportation would give priority to community requests for Urban Mass Transportation capital grants that directly aid the elderly. Accordingly, the Department's Urban Mass Transportation Administration (UMTA) gave priority to technical study and capital grant applications which provide direct transit assistance to the elderly.

Since that time new legislation has been passed specifically to alleviate the mobility problems of the elderly and handicapped. On August 13, 1973, the President signed into law the Federal Aid Highway Act of 1973 (Public Law 93-87). Section 16(b) of this law reads as follows:

"In addition to the grants and loans otherwise provided for under this Act, the Secretary is authorized to make [capital] grants and loans ---"

- (1) to States and local public bodies and agencies thereof for the specific purpose of assisting them in providing mass transportation services which are planned, designed, and carried out so as to meet the special needs of elderly and handicapped persons, with such grants and loans being subject to all of the terms, conditions, requirements, and provisions applicable to grants and loans made under section 3(a) and being considered for the purposes of all other laws to have been made under such section, and
- (2) to private nonprofit corporations and associations for the specific purpose of assisting them in providing transportation services meeting the special needs of elderly and handicapped persons for whom mass transportation services planned, designed and carried out under paragraph (1) are unavailable, insufficient, or inappropriate, with such grants and loans being subject to such terms, conditions, requirements, and

APPENDIX V

provisions (similar insofar as may be appropriate to those applicable to grants and loans under paragraph (1), as the Secretary may determine to be necessary or appropriate for purposes of this paragraph

Section 2 of the above gives UMTA the opportunity to initiate an entirely new program. The concept of assistance in solving problems of the elderly and handicapped is not new at the State level. We believe that State Governments are the logical applicants for this Federal assistance, especially in light of the number and diversity of private nonprofit organizations which might apply for assistance. States can serve the vital functions of coordinating local projects and serving as the applicant to UMTA for projects within their respective jurisdictions.

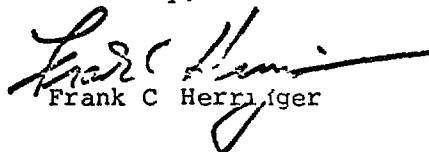
We ask that you designate a State agency to manage this program. We suggest that the Mass Transit Division of either the State Department of Transportation or the State Highway Department would be the appropriate designee. We have tentatively set aside \$1,385,000 for projects involving private nonprofit corporations and associations in California. This money is available for commitment beginning July 1, 1974 on a matching ratio of 80% Federal/20% non-Federal funds.

UMTA will be pleased to receive an application from your State. Attached are instructions on the procedures for obtaining these grants. For information on the capital assistance program please call the Senior Transportation Representative for your area Mr. Richard Doyle at (202) 426-2785.

Planning funds are also available to the State to assist in the cost of inventorying these capital needs and coordinating the efforts of State welfare, health and transportation agencies. Planning assistance information may be obtained from UMTA's Regional Representative in San Francisco. He may be reached at (415) 556-2884.

We look forward to working with you on this major new effort to improve transportation services for the elderly and handicapped.

Sincerely,



Frank C. Herrlinger

Attachments

P R O C E D U R E S

Capital Assistance to Private Nonprofit Corporations

Pursuant to Section 16 (b) (2)

of the

Urban Mass Transportation Act of 1964, as amended

Monday, June 24, 1974

APPENDIX V

The Urban Mass Transportation Administration is modifying its procedures in order to make readily available capital assistance to private nonprofit corporations and associations to provide transportation for the elderly and handicapped. Funds out of the regular capital grant activity have been set aside for this purpose. Prior to acceptance of any applications, the State must develop and submit to UMTA for approval criteria for evaluation and selection of projects proposed by private nonprofit organizations within the State.

It is the responsibility of each State to select among projects, and, in turn, submit these to UMTA for review and approval. The State should submit a cover letter transmitting the applications it has selected for potential funding. This letter should include details of how each project was selected, and a draft agreement between the State as applicant to UMTA and the private nonprofit organization which will benefit directly from the grant. This agreement should describe the role of the State in managing these projects. Attached is a sample application format which can be followed by the State and the private nonprofit organization. It will help provide the information UMTA needs to approve the projects.

Applications for specific projects will be reviewed by UMTA's Office of Capital Assistance, which will work with the State and the local organization. When all requirements are met, the State will be notified by UMTA of approval of all or parts of the application for specific projects.

It is preferable for the State to accumulate several project applications before coming to UMTA for assistance. However, if the State feels that a critical situation exists in certain localities, it may apply at once for capital assistance. All applications must be received by UMTA no later than April 15 of any year.

After approval, the State, working on behalf of the private nonprofit organizations, will comply with those requirements of project administration as found in Chapter III of UMTA's External Operating Manual (copy attached). Certification of this compliance should accompany the first requisition for funds.

UMTA's regional engineers are available to assist each State in the execution of the project. The regional engineer should be contacted upon project approval to assist with project implementation. Following is a list of UMTA regional engineers.

**PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF TRANSPORTATION
RESPONSIBLE FOR THE ADMINISTRATION OF
ACTIVITIES DISCUSSED IN THIS REPORT**

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF TRANSPORTATION

SECRETARY OF TRANSPORTATION

Claude S. Brinegar	Feb	1973	Present
John A. Volpe	Jan	1969	Feb. 1973

URBAN MASS TRANSPORTATION ADMINISTRATION

ADMINISTRATOR

Frank C. Herring	Feb	1973	Present
Carlos C. Villarreal	Apr	1969	Feb. 1973

ASSOCIATE ADMINISTRATOR,

Office of Capital Assistance (note a)

Jerome C. Premo (acting)	Sept.	1973	Present
John Paul Jones	Aug	1972	Sept. 1973
William B. Hurd	Sept	1968	June 1972

a/ Before September 1973 this Office was formally known as the Office of Program Operations.

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